

CERTIFIED MAIL

24 OCT 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

You were formed for the purpose of establishing a musical ministry with a spiritual message through crusades in order to proclaim the gospel according to the Bible.

Your organization did not engage in any activity until [REDACTED] at which time your activities consisted of the following:

- (a) Praying for individuals at their request.
- (b) Ministering to individual needs as they arose.
- (c) Prayer for salvation, healing, depression and guidance.

The creators of your organization are [REDACTED], musician; [REDACTED], musician; and [REDACTED], musician.

In a developmental letter sent to you on [REDACTED], you were asked if your organization sold or owned any musical or inspirational tapes, and if so, who owned the copy rights to this material. You responded that at the present time, you offer by donation musical and inspirational records and tapes.

However, you also furnished a recent copy of the [REDACTED] Family booklet that indicates "Record sales up [REDACTED] in [REDACTED]." This booklet advertises a classical new album available to the general public for a ministry gift of

\_\_\_\_\_ dollars or more. When asked the fair market value of this album, you stated that the album would retail in retail stores for \_\_\_\_\_ dollars; however, because it is a ministry gift it is being sold by your organization for \_\_\_\_\_ dollars.

You further stated that at this time, copyrights are not held by any one; however, in the near future copyrights will be held in the name of your founder and president, \_\_\_\_\_.

Your two years budget reveals expenses will be incurred for the following items:

- (a) Wages - Directors
- (b) Hotel, travel and food
- (c) Equipment repair
- (d) Equipment purchase

It is noted that your board of directors consist of the creators of your organization who are working full time for the organization.

Traveling is provided by a motor home that is owned and operated by your founder and president, \_\_\_\_\_. The purchase and repair of equipment is maintained by your founder.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of corporations organized and operated exclusively for religious, charitable, literary, scientific, and educational purposes; no part of the net earnings of which inures to any private shareholder or individual.

Section 1.501(c)(3)-1 of the Tax Regulations relates to the definition of the organization and operation of organizations described in Section 501(c)(3). It is quoted, in part, as follows:

"(a) Organizational and operational tests. (1) In order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. (2) The term 'except purposes or purposes', as used in this section, means any purpose or purposes specified in Section 501(c)(3)...."

(b) Operational test. (1) Primary activities. An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. (2) Distribution of earnings. An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals..."

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that in order to be exempt as an organization described in Section 501(c)(3), the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either organizational or the operational test it is not exempt.

Section 1.501(c)(3)-1(e)(1) of the Income Tax Regulations provides that "an organization will be regarded as 'operated exclusively' for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization seeking exemption under Section 501(c)(3) to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Based on the information furnished by your organization it is concluded that you are not organized and operated for 501(c)(3) purposes as your organization is operating, in a manner that cannot be distinguished from any other form of business by selling merchandise above cost to the general public. In addition a substantial portion of your income is being used to pay the personal expenses of your board of directors and your activities appear to be in furtherance of the private interest and careers of your creators. We therefore, conclude you are being operated for private rather than public purposes.

We have also concluded, based upon the facts and evidence on file, that you are not operated exclusively as a charitable or educational organization described in Section 501(c)(3) of the Code because a substantial amount of your activities and operations are directed towards the improvement and enrichment of the professional interest of your members.

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Accordingly, we have concluded that you are not entitled to recognition of exemption from Federal Income Tax under Section 501(c)(3) of the Code, since you are not organized and operated exclusively for charitable, religious, or other exempt purposes within the meaning of Section 501(c)(3).

You are required to file Federal Income Tax Returns.

Contributions made to you are not deductible by the donors as charitable contributions as defined in Section 170(c) of the Code.

If you do not agree with these conclusions, you may within thirty days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

Sincerely yours,

  
District Director

Enclosures: Publication 892  
Form 6018